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ATLANTIC COAST COPPER CORPORATION LIMITED

FOURTEENTH ANNUAL
REPORT

FOR THE YEAR ENDED
DECEMBER 31, **1970**

ANNUAL MEETING OF SHAREHOLDERS

The annual meeting of shareholders
will be held on Thursday, June 24th, 1971
at 10:00 o'clock in the forenoon (Toronto time)
at the Head Office of the Company,
Suite 3706, The Royal Trust Tower,
Toronto Dominion Centre, Toronto 111, Ontario

ATLANTIC COAST COPPER CORPORATION LIMITED

1970
ANNUAL
REPORT

DIRECTORS

L. F. DALEY, Q.C. Halifax, Nova Scotia
W. D. MACAULAY Saint John, New Brunswick
D. A. MACFARLANE Saint John, New Brunswick
G. F. PUSHIE St. John's, Newfoundland
L. McC. RITCHIE, Q.C. Saint John, New Brunswick

OFFICERS

L. McC. RITCHIE, Q.C. *President*
W. D. MACAULAY *Vice-President and Secretary*
D. A. MACFARLANE *Treasurer*
MRS. M. JONES *Ass't.-Secretary*

HEAD OFFICE

SUITE 3706, ROYAL TRUST TOWER,
TORONTO DOMINION CENTRE Toronto 111, Ontario

EXECUTIVE OFFICE

GOLDEN BALL BUILDING Saint John, New Brunswick

MINE OFFICE

LITTLE BAY Newfoundland

TRANSFER AGENT AND REGISTRAR

GUARANTY TRUST COMPANY OF CANADA Toronto, Ontario

AUDITORS

MCDONALD, CURRIE & Co. Saint John, New Brunswick

ATLANTIC COAST COPPER CORPORATION LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

We are pleased to submit herewith the annual report of your Company for the year ended December 31, 1970. The year 1970 was a transitional period during which the Company's major attention was directed towards mine exploration as compared with mine operations in the previous year. A substantial portion of its income was expended on exploration and these sums have been charged against earnings. This has resulted in reducing the Company's earnings per share to \$.027 in 1970 as compared with \$.093 in 1969.

In 1970, our settlements receivable account was liquidated. Fortunately, this was achieved during a period of satisfactory copper prices. Funds realized from this liquidation were invested in short term deposits and common shares of well established industrial companies.

At a meeting of shareholders held on December 9, 1970, the disposal of the Company's plant and equipment including its stores inventory was approved and by year end, all fixed assets other than the mining lands at Little Bay had been disposed of. This further served to augment the Company's financial capability.

During 1970, two exploration agreements were entered into as briefly referred to in Note 3 to the financial statements. The first agreement with First Maritime Mining Corporation Limited was for exploration work on mining licenses which have been under active exploration for several years. While the 1970 exploration effort did not show sufficient encouragement to continue the program beyond the minimum amount necessary in that year, the mining licenses will be reviewed in the current year with a view to possible further exploration work should the geological assessment of the property together with certain surrounding properties indicate that this could be a worth while venture.

An agreement of larger proportion was entered into with Clearwater Mines Limited, whose claims in Northumberland County of New Brunswick have since been transferred to a new company, Micmac Mines Limited, in accordance with the terms of the agreement with Clearwater.

An amount in excess of \$100,000 was spent in the exploration program for 1970 and further work has been carried out during the winter months of 1971. The drilling program carried on in 1970 disclosed mineral occurrences having relatively low values of copper, nickel, bismuth and cobalt but which, provided substantial tonnages are proven, may be amenable to open pit mining. These occurrences are deemed to warrant further investigation and it is anticipated that additional exploration and development work will be carried on in the summer months of 1971.

Shareholders will be pleased to note that the working capital of the Company increased in 1970 from \$3,432,000 to \$4,111,000. This represents an increase from 79.4c per share to 95.6c per share. As such, the Company is in a relatively healthy position to take advantage of exploration opportunities as these present themselves.

As is well known to the Company's shareholders, the Federal Government's future policy in respect of income tax measures applicable to mining companies have not, as of this date, been announced. It is hoped an intelligent appraisal of the position of Canadian mining companies will be made by our legislators and no legislation enacted which will be harmful to the mining industry in Canada. Shareholders are urged to participate in making their views known to their representative in the House of Commons with respect to the taxation measures to be introduced in the current year.

During the year, Mr. L. F. Daley, Q.C. resigned as President of the Company and Mr. L. McC. Ritchie, Q.C. was elected by the Directors to succeed him. On behalf of the shareholders, your Board of Directors acknowledge the dedication with which Mr. Daley carried out the functions of the office of President.

On behalf of the Board

L. McC. RITCHIE, Q.C.,

President.

May 19, 1971.

MCDONALD, CURRIE & CO.

CHARTERED ACCOUNTANTS

AUDITORS' REPORT TO THE SHAREHOLDERS

We have examined the balance sheet of Atlantic Coast Copper Corporation Limited as at December 31, 1970 and the statements of earnings and retained earnings and source and use of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1970 and the results of its operations and the source and use of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

MCDONALD, CURRIE & CO.

Chartered Accountants.

SAINT JOHN, N. B., February 26, 1971

ATLANTIC COAST COPPER CORPORATION LIMITED

BALANCE SHEET AS AT DECEMBER 31, 1970

ASSETS

	1970 \$	1969 \$
CURRENT ASSETS		
Cash	46,414	45,625
Short-term deposits and accrued interest	2,889,423	1,960,782
Marketable securities (quoted value \$1,045,312)	1,023,360	—
Concentrate settlements — at estimated net realizable value	—	1,925,261
Accounts receivable	248,360	17,102
Prepaid expenses	—	5,987
Special refundable tax	—	4,350
	<u>4,207,557</u>	<u>3,959,107</u>
FIXED ASSETS (note 1)		
Plant and equipment — at cost, less accumulated depreciation	—	521,933
DEFERRED EXPENDITURE		
Materials and supplies — at estimated realizable value	—	40,053
	<u>4,207,557</u>	<u>4,521,093</u>

Signed on behalf of the Board:

L. McC. RITCHIE, Director.

D. A. MACFARLANE, Director.

LIABILITIES

CURRENT LIABILITIES

	1970 \$	1969 \$
Accounts payable and accrued liabilities	50,787	21,957
Taxes payable	45,483	504,331
	<u>96,270</u>	<u>526,288</u>

SHAREHOLDERS' EQUITY

CAPITAL STOCK

Authorized — 5,000,000 shares without par value		
Issued and fully paid — 4,300,000 shares	3,390,000	3,390,000

RETAINED EARNINGS	721,287	604,805
	<u>4,111,287</u>	<u>3,994,805</u>
	<u>4,207,557</u>	<u>4,521,093</u>

ATLANTIC COAST COPPER CORPORATION LIMITED

Statement of Earnings and Retained Earnings

For the Year Ended December 31, 1970

	1970 \$	1969 \$
REVENUE		
Copper concentrate production	529,834	3,498,138
Less: Marketing expenses	31,283	360,223
	<u>498,551</u>	<u>3,137,915</u>
Investment income	247,637	49,780
	<u>746,188</u>	<u>3,187,695</u>
EXPENSES		
Operating	112,888	1,375,333
Exploration costs (note 3)	117,984	—
Depreciation	—	243,672
Excess of residual value over disposal price of fixed assets	210,901	—
Mining properties written off	—	615,722
Deferred development expense written off	—	10,950
Materials and supplies written off	2,116	40,150
	<u>443,889</u>	<u>2,285,827</u>
NET EARNINGS BEFORE PROVISION FOR TAXES	<u>302,299</u>	901,868
PROVISION FOR INCOME TAXES AND PROVINCIAL MINING TAXES	185,817	502,000
NET EARNINGS FOR THE YEAR	<u>116,482</u>	<u>399,868</u>
RETAINED EARNINGS — BEGINNING OF YEAR	604,805	204,937
RETAINED EARNINGS — END OF YEAR	<u>721,287</u>	<u>604,805</u>

NOTE:

The company ceased mining operations in October 1969 and during 1970 in addition to closing down the mine carried on exploration work under participation agreements. Due to the transitional nature of operations for the year no attempt has been made to segregate extra-ordinary items in this statement.

Comparative figures for 1969 have been restated to conform with 1970.

ATLANTIC COAST COPPER CORPORATION LIMITED

Statement of Source and Use of Funds

For the Year Ended December 31, 1970

SOURCE OF FUNDS

	1970 \$	1969 \$
From operations	367,436	1,428,695
Decrease in special refundable tax — net	—	4,350
Disposals of fixed assets — net	311,032	7,392
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INCREASE IN WORKING CAPITAL	678,468	1,440,437
WORKING CAPITAL — BEGINNING OF YEAR	3,432,819	1,992,382
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WORKING CAPITAL — END OF YEAR	<u>4,111,287</u>	<u>3,432,819</u>

ATLANTIC COAST COPPER CORPORATION LIMITED

Notes to Financial Statements

For the Year Ended December 31, 1970

1. FIXED ASSETS

All fixed assets except the company's mining property at Little Bay, Newfoundland, were disposed of during 1970.

2. DIRECTORS' AND SENIOR OFFICERS' REMUNERATION

The direct remuneration paid or payable to senior officers as defined by the Business Corporation Act aggregated \$30,963 in 1970. In addition, Messrs. Daley, Black, Moreira & Piercey in which firm L. F. Daley, Q.C. is a partner were paid \$4,451 for legal services and Messrs. McKelvey, Macaulay, Machum & Fairweather in which firm W. D. Macaulay is a partner were paid \$9,249 for legal services.

3. PARTICIPATION AGREEMENTS OUTSTANDING

1. Clearwater Mines Limited (No personal liability)

Under a participation agreement with Clearwater Mines Limited (No personal liability) the company expended \$109,938 during the year on exploration and development work on Clearwater mining properties. In consideration for monies expended, the company has the right to acquire shares in a new company (to which the Clearwater mining properties will be transferred) on a basis of one share for each \$1.273 expended. The agreement expires March 31, 1973 and an expenditure of \$350,000 would give the company more than 50% of the issued shares of the new company. The agreement may be terminated at any time, upon notice to Clearwater.

2. First Maritime Mining Corporation Limited (No personal liability)

Under a participation agreement with First Maritime Mining Corporation Limited (No personal liability) the company expended \$8,046 during the year on exploration and development work on First Maritime Mining properties. In consideration for monies expended the company has the right to acquire a 50% interest in a new company if commercial ore or minerals are discovered. This agreement expires July 31, 1971 with an option to renew for two further terms of one year each.

